

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-10 ISO-00 CIAE-00 PM-05 H-01 INR-07
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15
USIA-06 AID-05 COME-00 EB-08 FRB-03 XMB-02
OPIC-03 LAB-04 SIL-01 OMB-01 STR-05 CEA-01 NEA-10
IO-13 /113 W
-----113434 210832Z /11

P 210747Z DEC 77
FM AMEMBASSY MANILA
TO SECSTATE WASHDC PRIORITY 9466

LIMITED OFFICIAL USE SECTION 1 OF 2 MANILA 20016

USADB

FOR NAC AGENCIES

PASS TREASURY FOR BRADFORD/MUNK

E. O. 11652: NA
TAGS: EAID, EFIN
SUBJECT: PROPOSED REDENOMINATION OF SHARE CAPITAL

REF: MANILA 18492 (PARA 5)

ON NOVEMBER 22, DURING CONSIDERATION BY BOARD OF DIRECTORS
OF ADB WORKING PAPER 2-77 AND ADDENDA 1 AND 2 RE PROPOSAL
TO SUBSTITUTE SDR FOR 1966 DOLLAR AS UNIT FOR VALUING
BANK'S CAPITAL STOCK, GENERAL COUNSEL ASKED DIRECTORS TO
SEEK ADVICE OF RESPECTIVE GOVERNMENTS AS TO WHAT INTERNAL
PROCEDURE WOULD BE REQUIRED BEFORE INDIVIDUAL GOVERNORS
COULD DEAL WITH SUCH AN AMENDMENT. GENERAL COUNSEL HAS NOW
ADDRESSED FOLLOWING LETTER TO U.S. EXECUTIVE DIRECTOR FOR
WHICH WE WOULD APPRECIATE GUIDANCE FOR AN APPROPRIATE
RESPONSE:

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QUOTE:

DEAR MR. EDMOND:

PROPOSED REDENOMINATION OF SHARE CAPITAL

ON 22 NOVEMBER 1977 THE BOARD OF DIRECTORS CONSIDERED THE WORKING PAPER ON THE ABOVE SUBJECT (DOC. WORKING PAPER 2-77 AND ADDENDA 1 AND 2). THE PRINCIPAL RECOMMENDATION IN THIS PAPER IS THAT, AS A CONSEQUENCE OF THE CHANGES IN THE INTERNATIONAL MONETARY SYSTEM INCORPORATED IN THE PROPOSED SECOND AMENDMENT TO THE IMF CHARTER, THE BANK'S SHARE CAPITAL SHOULD BE REDENOMINATED IN SDR. ALL BOARD MEMBERS WHO EXPRESSED A VIEW ON THIS ISSUE INDICATED THAT, IN PRINCIPLE, THEY WERE READY TO ACCEPT THIS RECOMMENDATION.

AS TO HOW SUCH A REDENOMINATION SHOULD BEST BE EFFECTED, A NUMBER OF BOARD MEMBERS WERE OF THE VIEW THAT THE BANK'S ARTICLES OF AGREEMENT SHOULD BE AMENDED, ALTHOUGH SEVERAL REGARDED THIS AS A SECOND STEP WHICH COULD FOLLOW AN INTERIM ACTION UNDER WHICH THE INTERPRETATION OR APPLICATION OF EXISTING CHARTER PROVISIONS WOULD BE SUITABLY MODIFIED TO MEET THE SITUATION BROUGHT ABOUT BY THE SECOND IMF AMENDMENT. THE BOARD AGREED THAT STAFF SHOULD PREPARE A MORE DETAILED AND SPECIFIC STUDY OF THE PROCEDURAL OPTIONS WHICH MIGHT BE OPEN TO THE BANK. IT WAS INDICATED TO THE BOARD THAT SUCH A STUDY WOULD BE FACILITATED IF THE BANK COULD RECEIVE INFORMATION ABOUT THE INTERNAL PROCEDURES WHICH EACH MEMBER WOULD NEED TO FOLLOW IF AN AMENDMENT WERE PROPOSED; AND IT WAS AGREED THAT I SHOULD ADDRESS A SPECIFIC LIMITED OFFICIAL USE

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COMMUNICATION TO EACH BOARD MEMBER ON THE SUBJECT.

ACCORDINGLY, I AM WRITING TO YOU TO ASK WHETHER ANY SPECIAL INTERNAL PROCEDURE WOULD NEED TO BE ADOPTED IN THE MEMBER COUNTRIES YOUR REPRESENT:

(A) TO ENABLE THE GOVERNOR TO VOTE FOR ADOPTION OF AN AMENDMENT TO THE BANK'S ARTICLES OF AGREEMENT, OR

(B) TO ENABLE THE MEMBER TO GIVE EFFECT TO AN AMENDMENT WHICH HAS BEEN ADOPTED BY THE BOARD OF GOVERNORS.

IF A SPECIAL PROCEDURE IS NECESSARY, I SHOULD BE GRATEFUL TO HAVE SOME ESTIMATE OF HOW LONG SUCH A PROCEDURE MIGHT TAKE, MEASURED FROM THE TIME THE BOARD OF DIRECTORS FORMALLY DECIDES TO RECOMMEND AN AMENDMENT TO THE BOARD OF GOVERNORS, OR THE TIME THE AMENDING RESOLUTION IS ADOPTED, AS THE CASE MAY BE. IN REFERRING TO A "SPECIAL PROCEDURE" I HAVE IN MIND IN PARTICULAR SOME ACTION BY THE NATIONAL LEGISLATURE.

IN THIS CONNECTION, I SHOULD POINT OUT THAT ARTICLE
59 OF THE BANK'S ARTICLES OF AGREEMENT LAYS DOWN THE
FOLLOWING AMENDMENT PROCEDURE:

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OPIC-03 LAB-04 SIL-01 OMB-01 STR-05 CEA-01 IO-13
NEA-10 /113 W

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P 210747Z DEC 77

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 9467

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USADB

FOR NAC AGENCIES

PASS TREASURY FOR BRADFORD/UNK

INNER QUOTE:

1. THIS AGREEMENT MAY BE AMENDED ONLY BY A
RESOLUTION OF THE BOARD OF GOVERNORS APPROVED BY
A VOTE OF TWO-THIRDS OF THE TOTAL NUMBER OF
GOVERNORS, REPRESENTING NOT LESS THAN THREE-FOURTHS
OF THE TOTAL VOTING POWER OF THE MEMBERS.

...

3. ANY PROPOSAL TO AMEND THIS AGREEMENT, WHETHER
EMANATING FROM A MEMBER OR THE BOARD OF DIRECTORS,
SHALL BE COMMUNICATED TO THE CHAIRMAN OF THE BOARD
OF GOVERNORS, WHO SHALL BRING THE PROPOSAL BEFORE
THE BOARD OF GOVERNORS. WHEN AN AMENDMENT HAS BEEN
ADOPTED, THE BANK SHALL SO CERTIFY IN AN OFFICIAL
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COMMUNICATION ADDRESSED TO ALL MEMBERS. AMENDMENTS SHALL ENTER INTO FORCE FOR ALL MEMBERS THREE (3) MONTHS AFTER THE DATE OF THE OFFICIAL COMMUNICATION UNLESS THE BOARD OF GOVERNORS SPECIFIED THEREIN A DIFFERENT PERIOD. END INNER QUOTE.

IT WILL BE NOTED THAT, UNDER THIS FORMULATION, ADOPTION OF AN AMENDMENT OCCURS AS SOON AS AN AMENDING RESOLUTION IS APPROVED BY A SPECIAL MAJORITY OF THE BOARD OF GOVERNORS. THE AMENDMENT ENTERS INTO FORCE AUTOMATICALLY AT THE CONCLUSION OF THE WAITING PERIOD, IF ANY, REFERRED TO IN PARAGRAPH 3 OF ARTICLE 59. THIS PROCEDURE DIFFERS FROM THAT SPECIFIED IN THE ARTICLES OF SOME OTHER INTERNATIONAL INSTITUTIONS (E.G. THE IMF AND THE IBRD), IN THAT ENTRY INTO FORCE DOES NOT DEPEND ON RATIFICATION OR ACCEPTANCE OF THE AMENDMENT BY MEMBERS, INDIVIDUALLY OR COLLECTIVELY. (IN PRACTICE, OF COURSE, THE "WAITING PERIOD" COULD BE UTILIZED BY A MEMBERS AS NECESSARY TO TAKE LEGISLATIVE OR EXECUTIVE ACTION NECESSARY TO ENABLE IT TO FULFIL ITS OBLIGATIONS UNDER THE AMENDMENT.)

IT MAY BE THAT THE INTERNAL PROCEDURE TO BE ADOPTED IN A MEMBER COUNTRY FOR DEALING WITH AN AMENDMENT MAY DIFFER ACCORDING TO THE NATURE OF THE AMENDMENT ITSELF. WHERE, FOR EXAMPLE, THE AMENDMENT WOULD OR MIGHT HAVE THE EFFECT OF ALTERING THE FINANCIAL OBLIGATIONS BETWEEN THE MEMBER AND THE BANK (AS COULD BE THE CASE IF THE SHARE CAPITAL IS REDENOMINATED), THEN THE MEMBER MAY BE CONSTRAINED BY LEGISLATIVE OR REGULATORY REQUIREMENTS TO ADOPT CERTAIN PROCEDURES WHICH WOULD NOT HAVE BEEN REQUIRED HAD THE AMENDMENT RELATED SIMPLY TO THE INSTITUTIONAL OR OPERATION ARRANGMENTS GOVERNING THE BANK

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AND ITS ACTIVITIES. OFFICIALS OF MEMBER COUNTRIES MAY FIND IT USEFUL TO KEEP THIS DISTINCTION IN MIND WHEN CONSIDERING THE REQUEST FOR INFORMATION CONTAINED IN THIS LETTER.

I HOP THAT YOU WILL BE ABLE TO PROVIDE ME WITH A RESPONSE FROM YOUR MEMBER COUNTRIES IN THE NEAR FUTURE.

YOURS SINCERELY,

GRAEME F. REA

GENERAL COUNSEL

END QUOTE.

EDMOND

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